Bristol HOSPITAL
everyday extraordinary

**TESTIMONY OF**
**BRISTOL HOSPITAL AND HEALTH CARE GROUP INC.**
**SUBMITTED TO THE**
**FINANCE, REVENUE AND BONDING COMMITTEE**
**TUESDAY, APRIL 21, 2015**
**HB 7058, An Act Concerning The Hospital Tax**

Bristol Hospital appreciates this opportunity to submit testimony in support of **HB 7058, An Act Concerning The Hospital Tax**

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Before commenting on the bill, it's important to point out that Bristol Hospital treats everyone who comes through its doors 24 hours a day, regardless of ability to pay.

This is a time of unprecedented change in health care, and Bristol Hospital is leading the charge to transform the way care is provided. We are focused on providing safe, accessible, equitable, affordable, patient-centered care for all, and they are finding innovative solutions to integrate and coordinate care to better serve their patients and communities.

HB 7058 proposes phasing out the hospital tax over a five-year period. The first step in that phase-out would begin on Jan. 1, 2017, at which time each hospital's tax liability would equal 80 percent of the amount of the tax imposed on the hospital during the fiscal year commencing July 1, 2012. Then, on each subsequent Jan.1, the tax would decline from the amount paid in the fiscal year commencing July 1, 2012 (i.e., each hospital's tax liability would be 60 percent on Jan. 1, 2018; 40 percent Jan. 1, 2019; 20 percent Jan. 1, 2020; and zero on Jan. 1, 2021).

The hospital tax was adopted in 2011 and began operating in state fiscal year 2012. Its original purpose was to provide a small amount of financial assistance to the hospitals (approximately $50 million a year) and significant help to the state (approximately $150 million a year). It worked originally through the following mechanism: hospitals paid $350 million in taxes and received back $400 million in payments.

The state claimed the $400 million in payments to hospitals as Medicaid payments and received $200 million from the federal government. The $200 million from the federal government was split: $50 million was provided as a "subsidy" to the hospitals and $150 million went to the state to balance its budget. In short, for every new federal dollar, a quarter went to help hospitals and three quarters went to reduce the state deficit.

Unfortunately that structure only lasted one year and, in December of 2012, the hospital tax began costing hospitals more and more. In short, hospitals were expected to keep paying the $350 million in taxes but the amount returned kept dropping by about $100 million per year.

While the hospital tax cannot end soon enough for hospitals, we support the phase-out outlined in HB 7058. We do, however, ask that the draft bill be amended to specify the amount and level of the tax allowed for the 18 months beginning July 1, 2015 and ending Dec. 31, 2016 (i.e., the period before the phase-out begins). Specifically, we ask that that the amount of tax by hospital be no higher than the current tax by hospital and that the aggregate of the tax between July 1, 2015 and Dec. 31, 2020 not exceed the aggregate of the related supplemental payment structure.

Thank you for raising this bill and considering the modifications offered. Now is the time to act to preserve patient care, protect jobs, and reduce the cost of care in Connecticut. Support HB 7058.

Thank you for your consideration of our position.

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